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**NOTES**

**BRAZIL:** In a 10 February message to Congress, President Castello Branco requested a special appropriation of \$2.24 million to cover the January-June 1966 cost of maintaining the Brazilian contingent of the IAPF in the Dominican Republic. This outlay represents a substantial sacrifice in view of the economic austerity program and probably does not include such costs as the more than 100 sorties which Brazilian Air Force aircraft have flown between Rio de Janeiro and Santo Domingo. (UNCLASSIFIED)

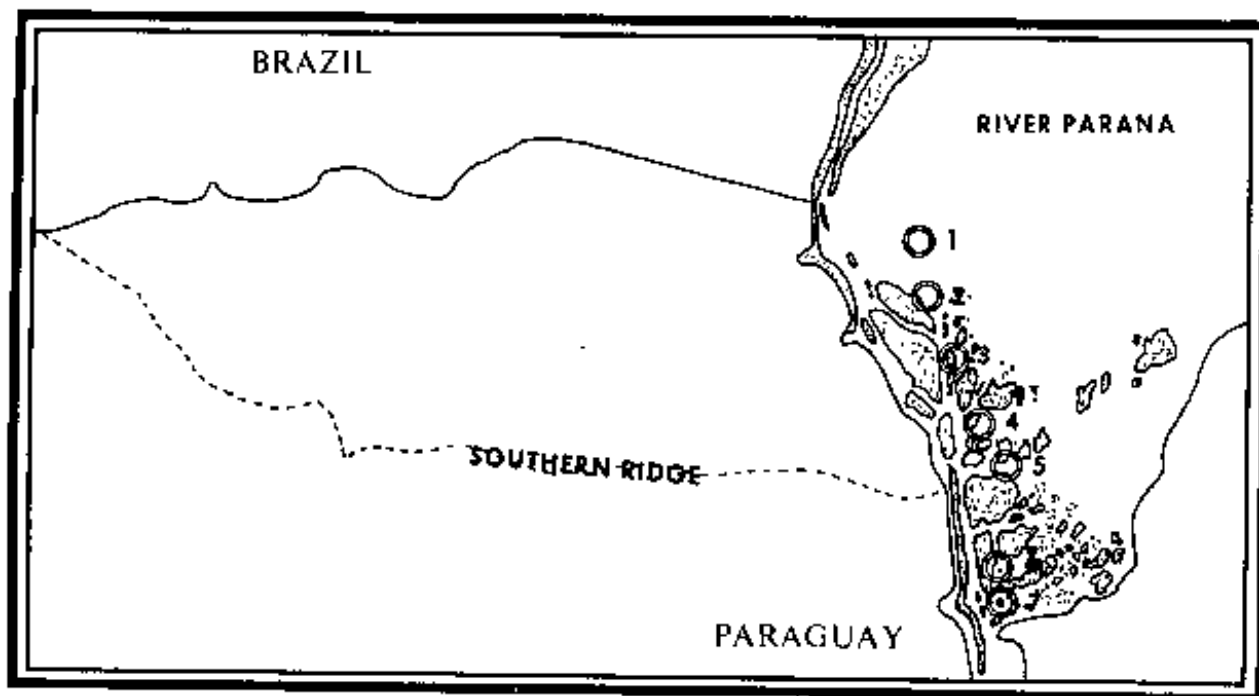
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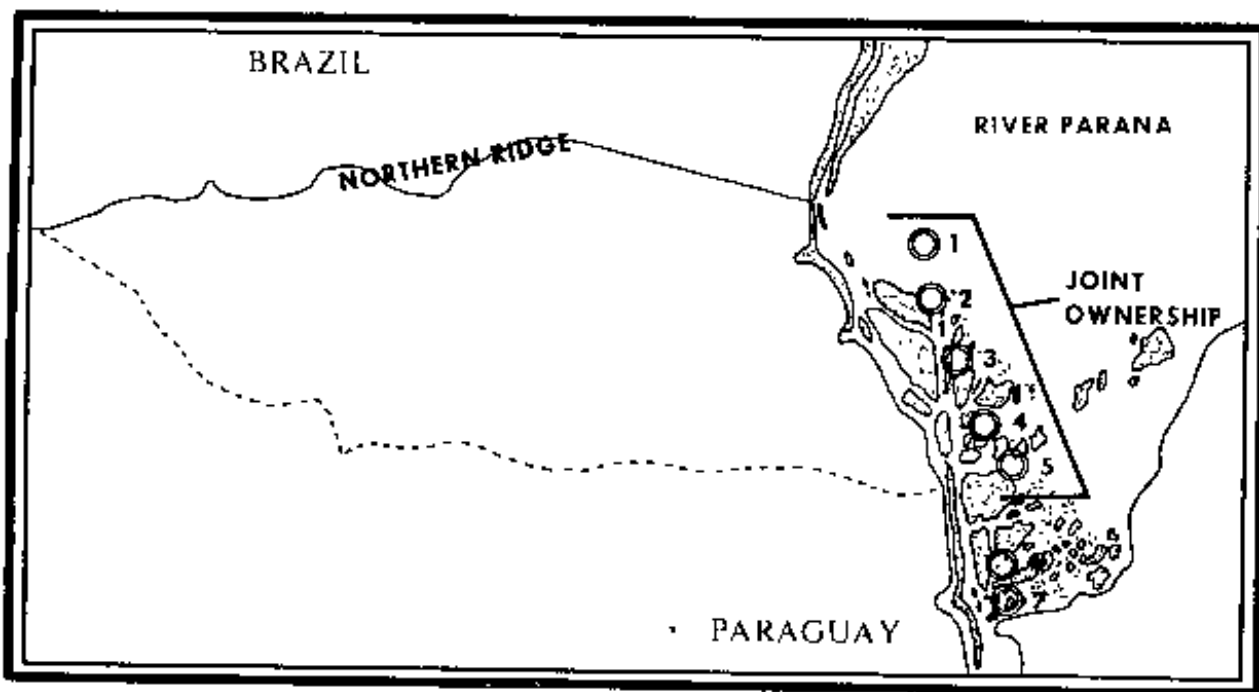
## BRAZILIAN SOLUTION



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## PARAGUAYAN SOLUTION



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SUPPLEMENT

GUAIRA FALLS STRAIN RELATIONS  
BETWEEN BRAZIL AND PARAGUAY

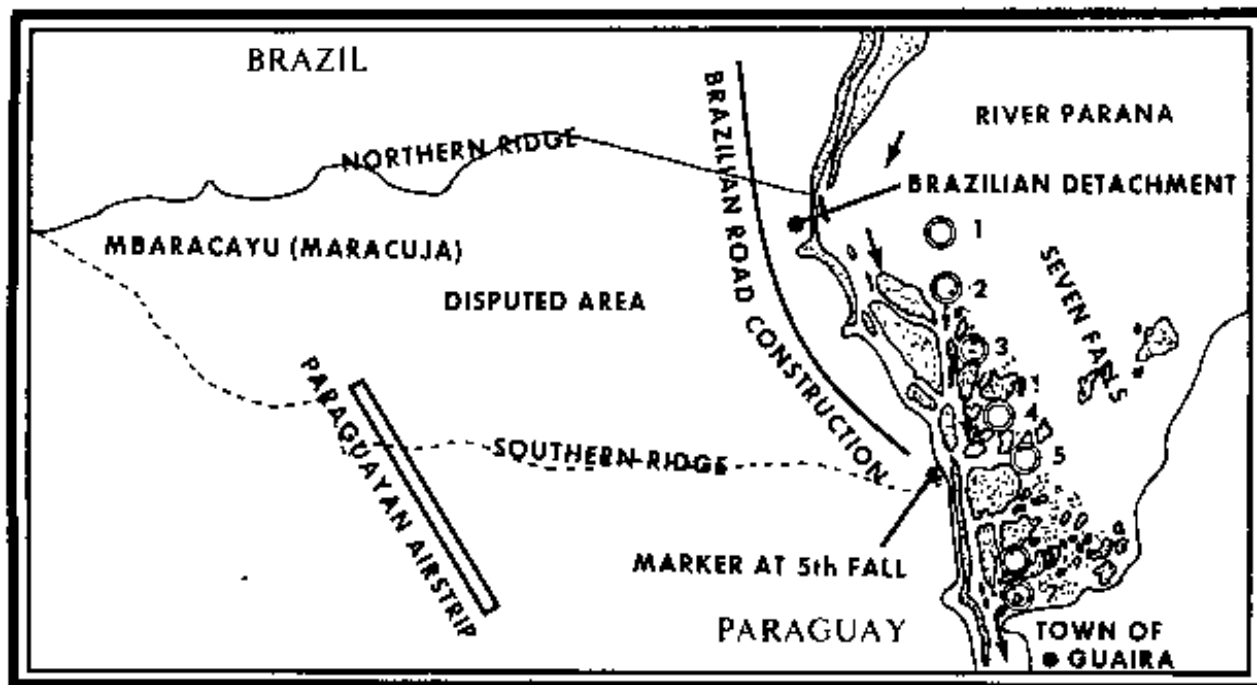
This is second in a series on border disputes and territorial claims.

The world's greatest hydroelectric potential is believed to be concentrated in the seven falls occupying an area of about two miles on the Parana River between Brazil and Paraguay. While Niagara (167 feet high) and Iguazu (237 feet high and located 100 miles to the south) exceed the disputed seven falls' 130 feet, their average flow of water totals 470,000 cubic feet per second as compared to Niagara's 212,000 and Iguazu's 61,600. Some ambitious planners believe that a single plant at the falls could generate 10 million kilowatts of power and that the total potential is approximately 25 million kilowatts.

General agreement on the falls' potential does not extend to the basic issue of sovereignty over the area. The boundary between Brazil and Paraguay was established by treaty in 1872 and mixed border commissions have conducted surveys since then, but ambiguities still plague negotiators. Perhaps the best indication of underlying differences is that each side has its own vocabulary for local topography. The falls, called Guaira, are pronounced by the Paraguayans as Guay-RAH, while the Brazilians refer to them as GUA-EAR-ah; when a Brazilian mentions them as Sete Quedas (Seven Falls), a Paraguayan counters by referring to them as the Saltos de Guaira (Guaira Falls). Different names are also applied to the key range of mountains west of the falls, with the Brazilians calling them the Maracuja and the Paraguayans using Mbaracayu. The battle of semantics has extended the issue of precisely what part of the Parana River serves as the boundary between the two nations. Paraguay believes that its Spanish-language version of existing agreements stipulates the middle of the river of the "canal" (channel); the Brazilians cling to the Portuguese word "alveo," which can be interpreted as meaning the whole body of water.

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Two main issues derive from the controversies over such things as border markers, settlements, and troop movements. The first of these pertains to hydroelectric potential and involves the question of whether there is clear-cut sovereignty over the falls or if they are to be exploited by both nations in condominium. The second involves the 20-km strip of land between the northern and southern ridges of the Mbaracayu (or Maracaju) mountain range.

The Treaty of 1872 states that the border between the two countries lies along the highest part of the mountain range. In accordance with this concept, the Brazilians have insisted that the southern ridge is the border since it contains the highest point; they feel that their argument is reinforced by their claims that the watershed is along the southern ridge. The Paraguayans argue that the three high points in the northern ridge are higher, on the average, than the three highest points on the southern ridge; consequently, they contend that the area south of the northern ridge is theirs. Notwithstanding the formula of averages, the highest point on either ridge is on the southern, and that ridge has more high points than the one to the north.

The 20-km stretch between the ridges was more or less a "no man's land" until 1962. A Brazilian settlement known as Coronel Renato had melted away to one elderly inhabitant after being inundated by the lake-like Parana 10 years earlier. In early 1962, however, Brazil's announcement that it was going to draw up plans to develop the falls' hydroelectric potential led the Paraguayans to dispatch a 30-man contingent to what had been Porto Renato where it planted the Paraguayan flag on the right bank of the river. Here again, semantics entered the dispute; the Paraguayans claimed that the settlement was really known as Puerto Renato and thus attempted to establish it as their settlement. The Paraguayan move triggered a counter-deployment of two platoons from the frontier company at the Brazilian town (10,000 people) of Guaira. Subsequently, several minor incidents caught the fancy of intensely patriotic and proud Paraguayans who began to whip up anti-Brazilian sentiments in Asuncion.

IMPORTANT DATES IN GUAIRA FALLS CONTROVERSY

- 1525.....Discovered by Alejo Garcia.
- 1750-.....Treaties between Portugal and Spain award  
1777.....falls to Brazil.
- 1780.....Falls returned to Paraguayan jurisdiction  
through demarcation.
- 1872.....Present controversial demarcation established  
following Paraguay's defeat in war against  
Argentina, Brazil, and Uruguay.
- 1927.....Joint Brazil-Paraguay Border Commission  
created.
- 1930.....New Commission established.
- 1934.....Controversy simmered as Brazilians insisted  
on marker being placed on right bank of  
Parana River near the fifth waterfall.
- 1960.....Brazil constructed 600-kw pilot plant.
- 1961.....Japan sponsored a study by Overseas Elec-  
trical Industry Survey Institute which con-  
cluded that power could be produced at world's  
lowest cost -- 1.24 cruzeiros per kilowatt.
- 1962.....Brazilian group known as OMF given govern-  
ment contract to study Guaira potential. Re-  
commended installation of 21 generators with  
potential of 10 million kilowatts at esti-  
mated cost of US \$1.025 billion. Project  
would be world's largest, exceeding Grand  
Coulee, Aswan, or Bratsk.
- 1963.....President Goulart sought foreign financing;  
Soviet technicians conducted survey, and USSR  
offered technical and material assistance.
- 1964.....The Inter-American Development Bank reportedly  
offered financing with the participation of  
Japan, the US, and other Western nations.
- 1964.....Asuncion announced the establishment of a  
Brazilian-Paraguayan commission to study  
the bilateral development of the falls'  
hydroelectric potential.
- 1965.....Violence broke out in the disputed area,  
and small military detachments were de-  
ployed by both governments.

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Both governments, however, sought to keep passions from affecting over-all cordial relations.

In late 1965, Paraguay denounced the building of a road across the 20-km stretch by large numbers of heavily-armed Brazilian military. The Paraguayans also protested bitterly that one of their investigating groups had been detained. A resulting combination of nationalism and political opportunism designed to embarrass the Stroessner regime led to demonstrations and attacks on Brazilian property in Asuncion and to a steady flow of anti-Brazilian propaganda.

Brazil, initially amused, has recently stiffened its attitude. News media have played heavily on Paraguayan insults to the flag and to diplomatic representatives and have whipped up much more interest in the basic dispute than there normally would have been. As a result, the Brazilian Foreign Ministry has embellished its recent public statements with positive assertions of Brasilia's sovereignty over the area and disdain for Paraguayan protestations over troop movements within "Brazilian" territory.

As for the ownership of the falls themselves, the Paraguayans argue that the Treaty of 1872 and the Boundary Commission of 1874 established the frontier right up to the crest of the fifth -- and most important -- of the falls, thereby entitling Paraguay to coownership; the continual erosion of the land to the west has reinforced Paraguayan claims. The Brazilians, on the other hand, contend that the boundary ends at some point in front of the falls and that erosion is not a factor since the basic agreements dealt with the terrain as it existed at the time. The ownership of the falls is also intimately related to which ridge of the mountain is used and to the issue of whether the boundary is located on the west bank or the channel of the Parana.

If the Treaty's reference to the "Large Fall" is interpreted as meaning the fifth fall, it would appear that Brazil has a clear claim to sole jurisdiction over the first four falls. If, as the Brazilians contend, the border at the fifth fall extends westward

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along the southern ridge from the right bank of the river, they also enjoy sole entitlement to that fall and the other two.

In the Paraguayans view, the "Large Fall" mentioned in the Treaty really means the entire complex of seven falls; the line to the west should, therefore, begin at the first fall which is opposite the northern ridge and its "average" higher points. The Paraguayans also claim that the north-south borderline established by the Parana is located at least in mid-stream and this consequently entitles them to equal ownership of its deviations (the falls).

Since ultimate arbitration will severely tax the knowledge and patience of experts in international law, it would not be prudent to render a judgment on the complex issues in this summary. It appears, however, that both sides have some strong arguments -- both legally and emotionally. The following factors seem to emerge as favorable to Brazil:

1. While ambiguous, the Treaty of 1872 buttresses Brasilia's case.

2. The Brazilians are already using the falls to supply power to local areas; they have established the town of Porto Guaira (approximately 10,000 people) in the area; most of the people on both sides of the river near the falls are Brazilians and use Brazilian currency; and Brazil has built the only accessible road into the area.

3. The government has consistently offered to submit the controversy to international arbitration.

4. Brazil has reasonable expectations of being able to develop the falls' hydroelectric potential and can probably establish a need for the power; Paraguay has no such expectations.

5. Most other Latin American nations are unlikely to sympathize with Paraguay's questioning the validity of the treaty since they dread the thought of a precedent which might allow some of their own old and questionable accords to be reopened.

Paraguay's case is strengthened by:

1. The ambiguity of the basic treaty and its implementation documents and Asuncion's steadfast defense of its position.
2. Allegations that the Brazilians gained unfair advantages in 1872 since Paraguay had just been defeated in the war against Argentina, Brazil, and Uruguay.
3. Assertions that it is the "underdog" since it is small, weak, and poor and its opponent is large, strong, and rich.

Even though feelings on both sides are highly charged and the Paraguayans have recently responded to the Brazilian military presence by posting a 150-man cavalry detachment in the disputed region, it is unlikely that the controversy will go beyond the stage of minor incidents and noisy demonstrations. It seems equally unlikely that a final settlement will be reached soon.

The possibility a third country's good offices being employed -- particularly those of another nation of the hemisphere -- is remote at the moment. Several countries may attempt to reason with the disputants, but none will wish to jeopardize its standing in either Brazil or Paraguay. Argentina, for example, has already been identified by the Brazilian press as rooting for Paraguay in order to gain ascendancy over Brazil in that nation. At best, outside involvement might be designed to shift the issue to its more fundamental aspect -- effective planning for joint development of the hydroelectric potential. A solution based on development rather than acreage might gain greater acceptability if a hydroelectric facility is proposed at a location downstream from the falls where respective sovereignties are clearly established.

Indications are that President Stroessner is increasingly uneasy over the fact that he might have put himself into a corner in this matter. While he initially encouraged and applauded the xenophobic reaction of

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his people, he probably did not realize that the political opposition he has carefully fostered would exploit the problem as part of its efforts to topple him. Stroessner will probably accept a "development" formula and seek to placate the aroused spirits around him with claims that Paraguay has "won" the confrontation. Brazil, on the other hand, will probably tolerate a certain amount of nonviolent Paraguayan bravado, but is not likely to admit "defeat" or condone affronts to its dignity. (CONFIDENTIAL NO FOREIGN DISSEM)

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